

Message Text

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E.O. 11652: N/A

TAGS: EEWT, ENRG, UR

SUBJECT: DRESSER DRILL BIT PLANT CONTRACT

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REF:(A) MOSCOW 06333 (B) STATE 83183 (C) MOSCOW 05845

1. DRESSER REPRESENTATIVES, LED BY V-P MURPHY MET WITH
COMMERCE OFFICIALS APRIL 3 TO DISCUSS SUBJECT CONTRACT,
VALUED AT 148 MILLION DOLLARS, WHICH WAS FINALLY SIGNED
MARCH 20. ACCORDING TO MURPHY, THE 44 MILLION DOLLARS
TECHNOLOGY FEE COVERS G.E.'S TUNGSTEN CARBIDE TECHNOLOGY
AS WELL AS DRESSER TECHNOLOGY. OF THE 104 MILLION DOLLARS
FOR MACHINE TOOLS, ABOUT 80 MILLION DOLLARS WORTH WILL BE
BUILT IN THE U.S. MURPHY STATED THAT SOME SUBCONTRACTORS
HAVE DECIDED TO SOURCE OUT OF THEIR WESTERN EUROPEAN
OPERATIONS BECAUSE OF THE AVAILABILITY THERE OF LOW-COST
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POLITICAL RISK INSURANCE. MURPHY ADDED THAT POLITICAL
RISK INSURANCE IS A MORE IMPORTANT FACTOR FOR U.S.
COMPANIES IN SUCH DECISIONS THAN WESTERN EUROPEAN
FINANCING, SOMETHING WE HAVE NEVER HEARD BEFORE. FINAL
CONTRACT DID CONTAIN ONE CONCESSION (PARAGRAPH 2,
REFTEL (A) ALLOWING SOVIETS TO DELAY PAYMENT OF WHAT
DRESSER CALLED A "SMALL PART" OF THE TECHNOLOGY FEE.

ALL APAYMENTS ARE TO BE IN CASH.

2. WHEN QUERIED ABOUT THE INSURANCE QUESTION DISCUSSED IN REFTELS (B) AND (C), MURPHY SAID THAT DRESSER ACCEPTED THE STANDARD MASHINOIMPORT PROVISION, AND THAT THE .075 PERCENT PREMIUM RATE IS NOT REPEAT NOT OUT OF LINE. DRESSER DOES NOT PLAN TO ARRANGE DOUBLE INSURANCE, ALTHOUGH SOME SUBCONTRACTORS MAY DO SO ON THEIR OWN. WHEN TOLD THAT SOME U.S. COMPANIES HAVE REFUSED TO ACCEPT THE MASHINOIMPORT PROVISION AS A MATTER OF PRINCIPLE, MURPHY'S COMMENT WAS "THAT'S CRAZY".

3. DRESSER IS CURRENTLY NEGOTIATING TWO COMPRESSOR DEALS WORTH ABOUT 35 MILLION DOLLARS WITH MASHINOIMPORT, ONE INVOLVING A FIRE FLOOD SYSTEM AND THE OTHER PRESSURE MAINTENANCE EQUIPMENT, PRESUMABLY FOR SAMOTLOR. MURPHY IS SCHEDULED TO CONTINUE NEGOTIATIONS IN PARIS WITH THE PRESIDENT OF MASHINOIMPORT WITHIN THE NEXT WEEK. THE SOVIETS ARE PUSHING DRESSER FOR A COUNTERTRADE COMMITMENT OF 10 PERCENT OF THE CONTRACT VALUE ON THESE DEALS.

4. MURPHY ALSO MENTIONED A 1971 LICENSE AGREEMENT, VALUED AT 12 MILLION DOLLARS, UNDER WHICH THE SOVIETS WERE TO BEGIN TO MANUFACTURE ONE LINE OF DRESSER'S CENTRIFUGAL COMPRESSORS. SO FAR THE SOVIETS HAVE MANAGED TO COMPLETE JUST A HANDFUL OF COMPRESSORS, LIMITED OFFICIAL USE

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APPARENTLY ALL CONSTRUCTED FROM DRESSER SPARE PARTS. VANCE

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NNN

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